

**HENRY COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

JOHN R. REESE

CERTIFIED PUBLIC ACCOUNTANT
PERSONAL FINANCIAL SPECIALIST



**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

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**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
JUNE 30, 2009**

BOARD MEMBERS

John Etheridge	Chairman
Mike Shankle	Vice Chairman
Bettye Carter	Treasurer/Secretary
Tommy Cooper	Assistant Treasurer
Monte Belew	Member
Michael Williams	Member
Bobby Kilzer	Member
Ray Norwood	Member
Ron Watkins	Member

MANAGEMENT OFFICIALS

Mark Archer	Director/Secretary
Heather Carter	Assistant Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term information about its activities. The statement of net assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented on the following page.

SUMMARIZED FINANCIAL INFORMATION

	NET ASSETS			
	2009	2008	Dollar Change	Percentage Change
Current assets	\$ 863,111	\$ 762,533	\$ 100,578	13.2%
Capital assets	<u>293,732</u>	<u>316,900</u>	<u>(23,168)</u>	-7.3%
Total Assets	1,156,843	1,079,433	77,410	7.2%
Current liabilities	18,903	16,388	2,515	15.3%
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	-
Total liabilities	<u>18,903</u>	<u>16,388</u>	<u>2,515</u>	15.3%
Net assets	<u>\$ 1,137,940</u>	<u>\$ 1,063,045</u>	<u>\$ 74,895</u>	7.0%
Summary of net assets				
Invested in capital assets, net of debt	293,732	316,900	(23,168)	-7.3%
Unrestricted net assets	<u>844,208</u>	<u>746,145</u>	<u>98,063</u>	13.1%
	<u>\$ 1,137,940</u>	<u>\$ 1,063,045</u>	<u>\$ 74,895</u>	7.0%
CHANGES IN NET ASSETS				
Revenues	\$ 345,291	\$ 351,145	\$ (5,854)	-1.7%
Operating expenses	<u>296,573</u>	<u>274,549</u>	<u>22,024</u>	8.0%
Operating income (loss)	48,718	76,596	(27,878)	-36.4%
Nonoperating expenses net of revenues	<u>26,178</u>	<u>62,099</u>	<u>(35,921)</u>	-57.8%
Changes in net assets	74,896	138,695	(63,799)	
Net assets				
Beginning	<u>1,063,044</u>	<u>924,350</u>	<u>138,694</u>	
Ending	<u>\$ 1,137,940</u>	<u>\$ 1,063,045</u>	<u>\$ 74,895</u>	

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on the previous page, the District's current assets have increased \$100,578 during the year ended June 30, 2009 and net capital assets decreased \$23,168. The decrease in net capital assets was due to current depreciation expense exceeding the cost of new equipment purchased during the year. All the new equipment was purchased from funds on hand and required no borrowing. Net assets increased by \$74,895. The emergency telephone service charge revenues, of the District, decreased by \$4,234. The state shared wireless revenues decreased by an amount of \$625. The District also received \$104,081 in state operational funding. With a decrease of \$355 in map sales and a decrease of \$640 in other income, the overall result is a decrease in total revenues of \$5,854. In addition, the District received \$10,000 in grants and reimbursements from the State Emergency Communications Board and \$16,178 in interest income.

The total operating expenses for the District increased by 8%. The majority of the increase in operating expenses is due to an increase in salaries and wages, liability insurance, travel expenses, and additional depreciation expense. The nonoperating revenues decreased by \$35,921. This decrease is a result of a decrease in grants and reimbursements.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying for those expenses. The budget is prepared on the cash basis of accounting. As conditions change during the year, the budget may be amended to prevent budget overruns.

The comparison between actual revenues and expenditures and budgeted revenues and expenditures are favorable. Income from residential and business phone lines are \$822 greater than the amount budgeted and the state shared wireless charges are \$10,257 greater than the amount budgeted. These favorable revenue variances along with the state operational funding and favorable map and other income variance, there is a total favorable revenue variance of \$11,291 over the budgeted amounts.

All of the line item expenditures of the District show favorable variances when comparing the budgeted amounts with the actual amounts. The salaries and wages are under the budgeted amounts by \$231, while the employee benefits are under the budgeted amounts by \$1,655. Contracted services indicate a favorable variance of \$4,769. The supplies and materials have a favorable variance of \$820, while the other charges have a favorable variance of \$2,973. The overall effect of the favorable revenue and expenditure variances is a \$28,903 favorable variance, as compared with the budgeted amounts. These figures are based on a cash basis actual to budget comparison.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$790,995 with accumulated depreciation of \$497,263. Investments in capital assets are \$52,904 for the current year. Capital assets include communications equipment, furniture and fixtures, a vehicle, as well as office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing Henry County Emergency Communications District is the decrease in revenue generated from landline telephones. Many individuals are using cellular phones and VOIP services instead of landline services. While the increase in cell phone and VOIP services generate revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. Due to the steady number of individuals who change their service providers during a given year, in addition to the continual emergence and departure of telephone service providers, it is extremely difficult to estimate revenues for budgeting purposes.

The increased availability of state grants and reimbursements is also a major economic factor for the District. The District's ability to qualify for the various types of grants and reimbursements enables the District to acquire and maintain the necessary equipment and services to continue to operate the District efficiently and effectively.

This financial report is designed to provide the readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Henry County Emergency Communications District
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Paris, TN 38242
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FINANCIAL SECTION

JOHN R. REESE

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PLANNING SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

We have audited the accompanying statement of net assets of the Henry County Emergency Communications District, a component unit of Henry County, Tennessee, as of June 30, 2009, and the related statement of revenues, expenses and changes in fund net assets, and statement of cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Henry County Emergency Communications District, and are not intended to present fairly the financial position of Henry County, Tennessee, and the results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Henry County Emergency Communications District as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henry County Emergency Communications District's basic financial statements. The budgetary comparison schedule, schedule of detailed expenses, the schedule of information required by the Tennessee Emergency Communications Board, and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except that which is marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

John R. Reese, CPA

January 6, 2010

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

Assets

Current Assets

Cash - checking	\$ 231,224
Investment - certificate of deposit	611,058
Accrued interest receivable	3,528
Accounts receivable	17,301
Total Current Assets	<u>863,111</u>

Noncurrent Assets

Capital assets	
Furniture and fixtures	33,073
Office equipment	12,534
Communications equipment	717,221
Vehicles	28,167
	<u>790,995</u>
Less accumulated depreciation	(497,263)
Total Noncurrent Assets	<u>293,732</u>

Total Assets	<u><u>\$ 1,156,843</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	18,903
Total Current Liabilities	<u>18,903</u>

Total Liabilities	<u>18,903</u>
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Net Assets

Invested in capital assets	293,732
Unrestricted	844,208
Total Net Assets	<u>1,137,940</u>

Total Liabilities and Net Assets	<u><u>\$ 1,156,843</u></u>
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See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating Revenues:

Emergency telephone service charges	\$ 171,091
State Emergency Communications Board - shared wireless charge	69,448
State Emergency Communications Board - operational funding	104,081
Map income	291
Miscellaneous income	380
Total Operating Revenues	<u>345,291</u>

Operating Expenses:

Salaries and wages	103,974
Employee benefits	22,362
Contracted services	69,101
Supplies and materials	6,953
Other charges	24,561
Depreciation	69,622
Total Operating Expenses	<u>296,573</u>

Operating Income (Loss)	<u>48,718</u>
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Nonoperating Revenues (Expenses)

Interest income	16,178
State Emergency Communications Board - Grants & Reimbursements	10,000
Net Nonoperating Revenues (Expenses)	<u>26,178</u>

Income Before Contributions and Transfers	74,896
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Transfers	<u>-</u>
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Change in Net Assets	74,896
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Total Net Assets at Beginning of Year	<u>1,063,044</u>
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Total Net Assets at End of Year	<u><u>\$ 1,137,940</u></u>
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See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash Flows from Operating Activities

Cash received from customers	\$ 378,152
Cash paid to suppliers	(98,100)
Cash paid to employees	(103,168)
Cash paid for employee benefits	(21,612)
Net Cash Provided by Operating Activities	<u>155,272</u>

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(46,455)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(46,455)</u>

Cash Flows from Investing Activities

Cash received from interest income	3,757
(Increase) decrease in investments	(212,290)
Net Cash Provided (Used) by Investing Activities	<u>(208,533)</u>

Net Increase in Cash and Cash Equivalents	(99,716)
Cash and Cash Equivalents at Beginning of Year	330,940
Cash and Cash Equivalents at End of Year	<u><u>\$ 231,224</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$ 74,896
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation expense	69,622
(Increase) decrease in accounts receivable	8,239
Increase (decrease) in accounts payable	2,515
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 155,272</u></u>

See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Henry County Emergency Communications District is a nonprofit organization, established under Tennessee law. The District was organized in 1989 to provide Emergency 911 service to the residents of Henry County. Although the District is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. A volunteer board of directors who are appointed by the District's primary government manages the District. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District is a discretely presented component unit of Henry County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Henry County, Tennessee financial report. The District is considered a discretely presented component unit of Henry County as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the District would be unable to issue debt without going through Henry County, Tennessee.

Basis of Accounting and Financial Statement Presentation

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the District to follow only GASB guidance after November 30, 1989, and not follow any FASB guidance after that date.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent amounts due from various phone companies for emergency telephone surcharges and monthly reimbursable wireless fees.

Budgetary Policies

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis, which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Cash and Cash Equivalents

For purposes of the statement of net assets and the statement of cash flows, Henry County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government pool.

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Net Assets

Equity is classified as net assets. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital asset activity during the year was as follows:

	Balance at June 30, 2008	Prior Period Adjustments	Additions	Disposals	Balance at June 30, 2009
Capital Assets being depreciated					
Furniture and fixtures	\$ 34,463	\$ -	-	(1,390)	33,073
Office equipment	12,410	-	2,441	(2,317)	12,534
Communications equipment	675,770	-	42,655	(1,204)	717,221
Vehicles	26,809	-	1,358	-	28,167
Total capital assets being depreciated	749,452	-	46,454	(4,911)	790,995
Less accumulated depreciation					
Furniture and fixtures	19,838	-	3,345	(1,390)	21,793
Office equipment	8,247	-	1,276	(2,317)	7,206
Communications equipment	403,071	-	59,503	(1,204)	461,370
Vehicles	1,396	-	5,498	-	6,894
Total accumulated depreciation	432,552	-	69,622	(4,911)	497,263
Total capital assets, net	\$ 316,900	\$ -	\$ (23,168)	\$ -	\$ 293,732

Income Taxes

Henry County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Utility has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for financial reporting of deposit risk.

Custodial Credit Risk – The Utility's policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Utility's agent in the Utility's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2009 and 2008, all bank deposits were fully collateralized or insured.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – MAJOR REVENUE SOURCE

Revenue for operation and maintenance of the Henry County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The major surcharge is collected by Bellsouth Telephone Company and remitted to the District monthly less a 1% administrative fee. The District also collects revenue generated by wireless phone users. The Tennessee Emergency Communications Board collects the revenue and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered through commercial insurance. Workers' compensation is covered through the Tennessee Municipal League Risk Management Pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

OTHER SUPPLEMENTARY INFORMATION

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

Salaries and Wages	<u>\$ 103,974</u>
Employee Benefits	
Social security	5,663
Life insurance	47
Medical insurance	7,948
Retirement contributions	7,513
Medical Deductible	1,191
	<u>22,362</u>
Contracted Services	
Audit services	2,350
Fees paid to service providers	
Customer coverage	2,494
Line services	49,322
Maintenance agreements	4,800
Lease/rental - building and facilities	10,000
Maintenance and repairs	
Communications equipment	93
Office equipment	17
Vehicles	25
	<u>69,101</u>
Supplies and Materials	
Office supplies	1,699
Postage	373
Telephone	4,089
Cell phones and pagers	792
	<u>6,953</u>
Other Charges	
Bank charges	62
Board meeting	296
Dues and memberships	582
Workers' compensation insurance	245
Liability insurance	6,109
Vehicle insurance	1,384
Premiums on surety bonds	525
Training expense	4,612
Travel expense	8,176
Contingency	2,570
	<u>24,561</u>
Depreciation	<u>69,622</u>
Total Operating Expenses	<u><u>\$ 296,573</u></u>
See independent auditor's report.	

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts - Cash Basis</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Emergency telephone service charges	\$ 165,678	\$ 165,678	\$ 166,500	\$ 822
State Emergency Communications Board -				
Shared wireless charge	70,000	70,000	80,257	10,257
Operational funding	104,070	104,070	104,081	11
Map income	420	420	291	(129)
Miscellaneous income	50	50	380	330
Total Revenues	<u>340,218</u>	<u>\$ 340,218</u>	<u>351,509</u>	<u>\$ 11,291</u>
Operating Expenses				
Salaries and Wages	<u>103,399</u>	<u>103,399</u>	<u>103,168</u>	<u>231</u>
Employee Benefits				
Social security	5,615	5,615	5,399	216
Life insurance	48	48	47	1
Medical insurance	7,948	7,918	7,796	122
Retirement contributions	7,156	7,186	7,179	7
Medical Deductible	2,500	2,500	1,191	1,309
	<u>23,267</u>	<u>23,267</u>	<u>21,612</u>	<u>1,655</u>
Contracted Services				
Advertising	180	180	-	180
Audit services	2,350	2,350	2,350	-
Customer coverage	2,496	2,496	2,494	2
Line services	52,000	52,000	49,378	2,622
Maintenance agreements	4,500	4,900	4,800	100
Lease/rental - building and facilities	10,000	10,000	10,000	-
Repairs-communications equipment	1,200	1,200	93	1,107
Repairs-office equipment	900	500	17	483
Repairs-vehicles	300	300	25	275
	<u>73,926</u>	<u>73,926</u>	<u>69,157</u>	<u>4,769</u>
Supplies and Materials				
Office supplies	2,400	2,360	1,699	661
Postage	420	420	373	47
Telephone	4,008	4,048	4,044	4
Cell phones and pagers	900	900	792	108
	<u>7,728</u>	<u>7,728</u>	<u>6,908</u>	<u>820</u>

See independent auditor's report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
Other Charges				
Bank charges	72	72	62	10
Board meeting	600	600	357	243
Dues and memberships	600	600	582	18
Workers compensation insurance	350	350	245	105
Liability insurance	6,200	6,200	6,109	91
Vehicle insurance	1,500	1,500	1,384	116
Premiums on surety bonds	600	600	525	75
Public education	1,200	200	-	200
Training expense	6,000	5,000	4,612	388
Travel expense	4,800	8,800	8,405	395
Contingency	6,000	4,000	2,668	1,332
	<u>27,922</u>	<u>27,922</u>	<u>24,949</u>	<u>2,973</u>
Total Operating Expenses	<u>236,242</u>	<u>236,242</u>	<u>225,794</u>	<u>10,448</u>
Operating Income (Loss)	<u>103,976</u>	<u>103,976</u>	<u>125,715</u>	<u>21,739</u>
Nonoperating Revenues (Expenses)				
Interest income	480	480	7,644	7,164
State Emergency Communications Board - Grants and reimbursements	10,000	10,000	10,000	-
Total Nonoperating Revenues (Expenses)	<u>10,480</u>	<u>10,480</u>	<u>17,644</u>	<u>7,164</u>
Revenues in Excess of Expenses	<u>114,456</u>	<u>114,456</u>	<u>143,359</u>	<u>28,903</u>
Line Item Adjustments to Reconcile Cash Basis Actual Expenditures with Accrual Basis Financial Statements				
Emergency telephone service charges			4,591	
State Emergency Communications Board - shared wireless charges			(10,809)	
Total adjustments to Operating Revenues			(6,218)	
Adjusted Operating Revenues			<u>345,291</u>	
Salaries and wages			806	
Social security			264	
Medical insurance			152	
Retirement contributions			334	
Line services			(56)	
Telephone			45	
Board meetings			(61)	
Travel expenses			(229)	
Contingency			(98)	
Depreciation			69,622	
Total adjustments to Operating Expenses			70,779	
Adjusted Operating Expenses			<u>296,573</u>	
Adjusted Operating Income (Loss)			<u>48,718</u>	
See independent auditor's report.				

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

Interest Income	<u>8,534</u>
Total adjustments to	
Nonoperating Revenues (Expenses)	<u>8,534</u>
Adjusted nonoperating	
Revenues (Expenses)	<u>26,178</u>
Adjusted Revenues in Excess of Expenses	74,896
Budgetary Net Assets - Beginning	<u>993,898</u>
Budgetary Net Assets - Ending	<u><u>\$ 1,068,794</u></u>

See independent auditor's report.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS - UNAUDITED
JUNE 30, 2009

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2009</u>
Department of Commerce and Insurance					
GIS Maintenance Grant	Z08211942	\$ -	\$ 10,000	\$ 10,000	\$ -
Total Awards		\$ -	\$ 10,000	\$ 10,000	\$ -

See independent auditor's report

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE
EMERGENCY COMMUNICATIONS BOARD - UNAUDITED
JUNE 30, 2009**

Number of PSAPs (Public safety answering points)	3
Address of each PSAP	100 N. Caldwell St. Paris, TN 38242 (Same for all PSAPs)
Type of system/equipment	Interact/Zetron system Database: AT & T
Director of the District	Mark T. Archer 100 N. Caldwell St. P.O. Box 1452 Paris, TN 38242 Phone: (731) 642-0911 FAX: (731) 641-1422
Chairman of the District	John Etheridge 860 Stillwater Dr. Paris, TN 38242 Phone: (731) 642-1322

INTERNAL CONTROL AND COMPLIANCE SECTION

JOHN R. REESE

CERTIFIED PUBLIC ACCOUNTANT
PERSONAL FINANCIAL SPECIALIST



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AICPA PERSONAL FINANCIAL
PLANNING SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

We have audited the financial statements of the Henry County Emergency Communications District, a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Emergency Communications District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Henry County Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Henry County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by the Henry County Emergency Communications District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Henry County Emergency Communications District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the board of the Emergency Communications District of Henry County Tennessee and the State of Tennessee, Comptroller Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

John R. Reese, CPA

January 6, 2010

